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# Montgomery County: Budget Process & Fiscal Outlook

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Office of Management and Budget

October 19, 2011

[www.montgomerycountymd.gov/omb](http://www.montgomerycountymd.gov/omb)

# *The Budget Process*

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## Budget Process Key Facts

- The County Executive develops and recommends budget proposals; the Council authorizes expenditures and sets tax rates.
- Annual six-year Public Services Plan, Operating Budget, and Capital Budget, and biennial six-year Capital Improvements Plan.
- Capital budget submitted to Council by January 15<sup>th</sup>; proposed Operating Budget by March 15<sup>th</sup>.
- Aggregate budget cannot grow more than CPI-U Washington-Baltimore without a minimum of six Council votes.
- Executive veto or reduction of items in Council approved budget.
- 1990 Charter amendment limit on property tax revenues. Charter Limit Budget approved for FY06, FY07, FY08 and FY10. As of 2008 Charter amendment, to exceed the Charter Limit, requires 9 council votes.
  - Impact of Limit: If existing rates remained, additional revenues=\$138.3 million

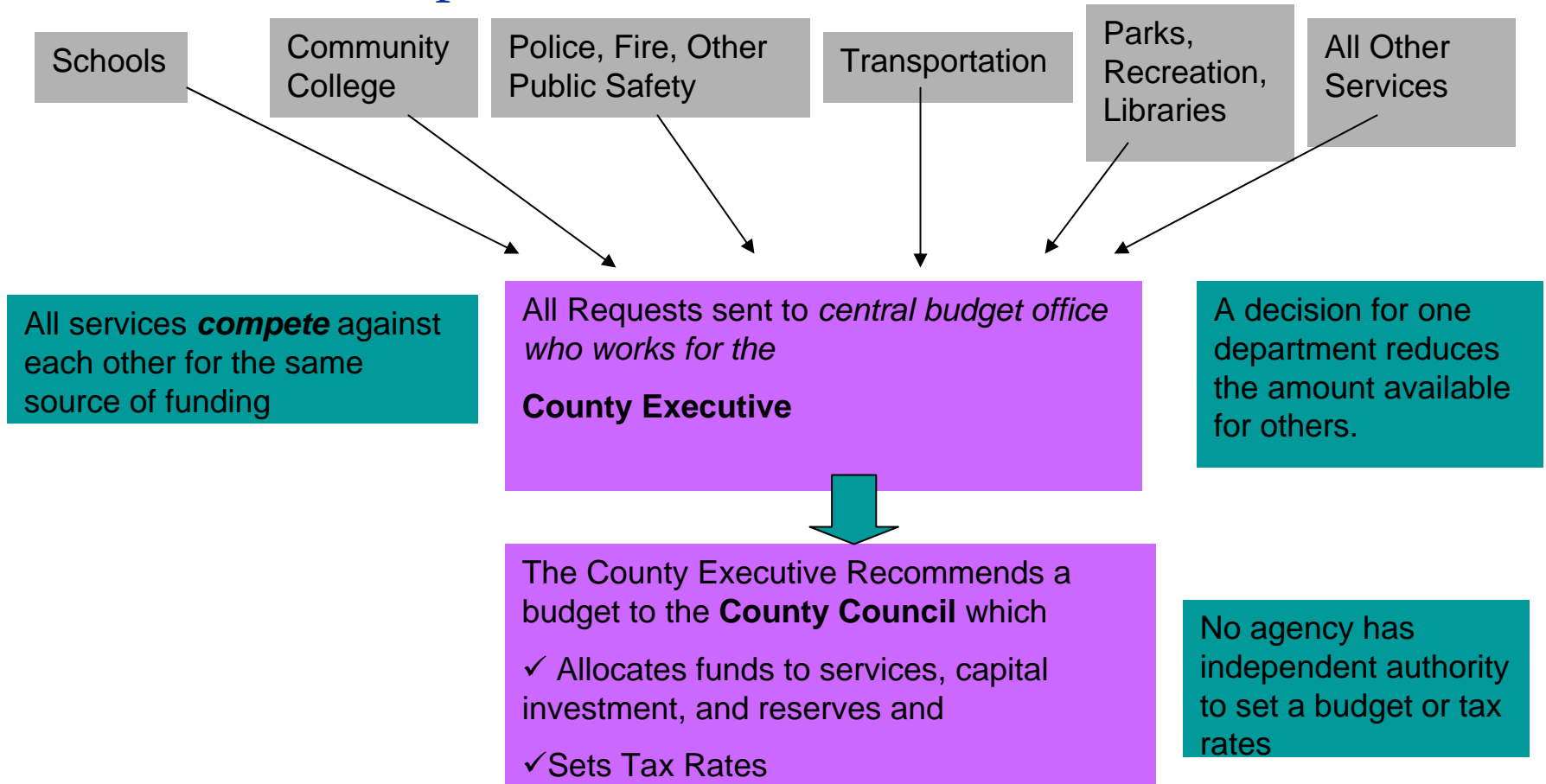
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# Budget Process: Key Starting Decisions

1. Assumptions on economy and State aid
2. Tax and fee rates
3. Priorities
4. Reserve levels (money set aside for emergencies)
5. Initial expenditure limits:
  - *Total, agency, and department* limits
    - Existing Services and commitments
6. Pay and workforce levels
7. Major new services/Expenditure Reductions

# Unified Fiscal System

- After initial top-down limits are set, then:



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# Summary: Operating Budget Process

- **Sept-December:** MCG Departments Prepare Submissions
- **December/January:** Agencies submit budgets to County Executive/Council
- **December – March:** OMB Reviews Submissions and Makes Recommendations to County Executive
- **March 15:** County Executive Transmits Budget to the County Council
- **Early April:** County Council Public Hearings
- **April – May:** County Council/Committees reviews budgets
- **By June 1:** County Council Approves Budget

# Budget Process

- MARC – Maximum Agency Request Ceiling
  - Current Year Approved Budget
  - Future Fiscal Impacts
    - Annualize programs & positions from current year
    - Benefit cost increases
    - Salary increases: GWA/Increments
    - Operating Impacts of Capital Projects: Amount & Timing
    - Contract cost increases
    - Furloughs not assumed for FY13
  - Expenditure Reduction Target: To be determined in late November – departments asked to develop potential 10% reductions
  - HHS MARC: \$172,457,970 (Exclusive of grants)
    - Operating Cost of new projects: School Based Health Centers and Linkages to Learning Centers
    - Grant Matches

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# Fiscal Update: Process

- Two Tiered Budget Submission
  - Maintenance Level due November 22, 2011
  - Target Reductions in Late November
    - Impact by department to be determined based on
      - Latest revenue estimates
      - Refined expenditure projections
      - Priorities
  - Final Submissions in Late December



# *FY12 – What Happened...*

# FY12 Tax Supported Expenditures by Function

MCPS	\$ 1,950,909,291	51.5%	51.5%	19,490.9
Public Safety	\$ 496,131,230	13.1%	64.7%	3,711.8
Debt Service	\$ 291,574,070	7.7%	72.4%	-
College	\$ 218,004,776	5.8%	78.1%	1,711.1
Health and Human Services	\$ 171,748,980	4.5%	82.7%	1,043.8
Other Functions (NDAs, Utilities)	\$ 138,829,280	3.7%	86.3%	1.6
Transportation	\$ 138,809,030	3.7%	90.0%	1,015.1
General Government	\$ 133,702,080	3.5%	93.5%	910.8
MNCPPC	\$ 101,576,880	2.7%	96.2%	816.9
Retiree Health Insurance	\$ 79,537,450	2.1%	98.3%	-
Libraries, Culture, & Recreation	\$ 53,183,000	1.4%	99.7%	636.5
Community Development and Housing	\$ 9,297,870	0.2%	100.0%	54.0
Environment	\$ 1,669,760	0.0%	100.0%	10.4
	<b>\$ 3,784,973,697</b>			<b>29,402.9</b>

# Actions Taken to Close the FY12 Gap

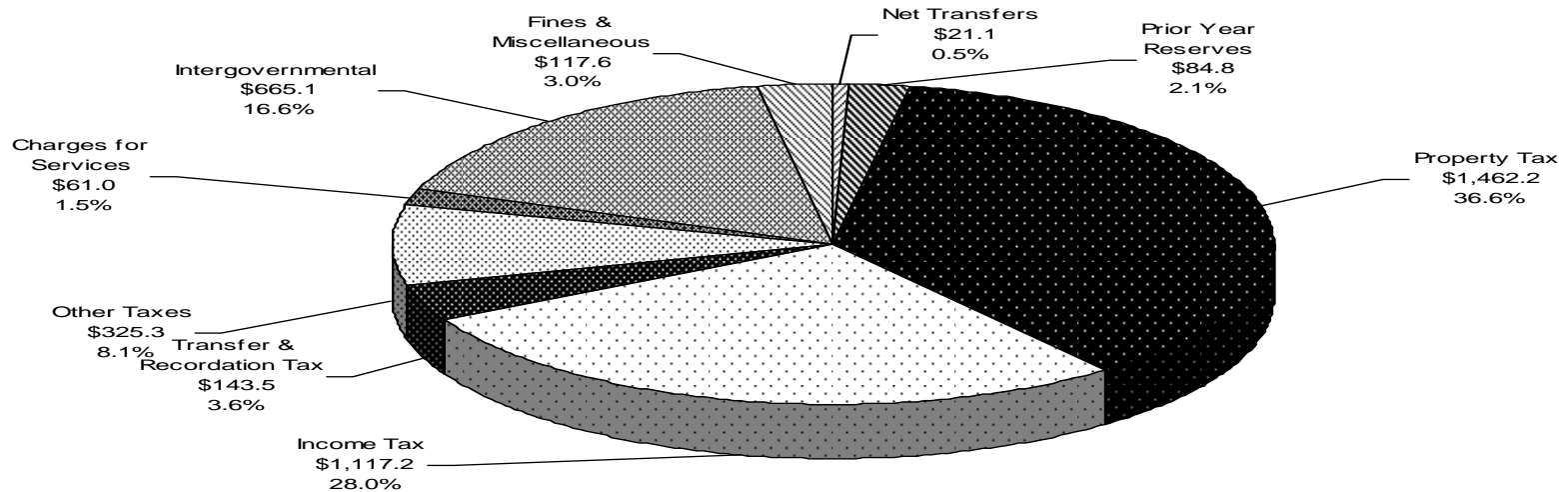
- Continued Hiring Freeze effective January 3, 2008
- Continued Procurement Freeze effective December 1, 2009
- FY11 Savings Plan \$32.2 million
  - County Government: \$ 11.8M.
  - Public Schools: \$ 19.2M.
  - Montgomery College: \$ 1.0M.
  - MNCPPC: \$ 0.2M.
- FY12 Target Reductions for Montgomery County Dept's.
  - Non Public Safety: -15%
  - Public Safety/HHS/Transit:-5%
- Wage Freeze
- Abolished over 183 positions
- Remained at the Charter Limit on Property Taxes
- Continued Telephone Tax Increase: \$17.8M.
- Sustained FY10/FY11 Energy Tax Incr.: \$115M.
- Limited MCG Tax Supported Growth Rate to 5.1%
- Limited Overall Growth Rate to 2.2%

# Sample FY12 Reductions by Department

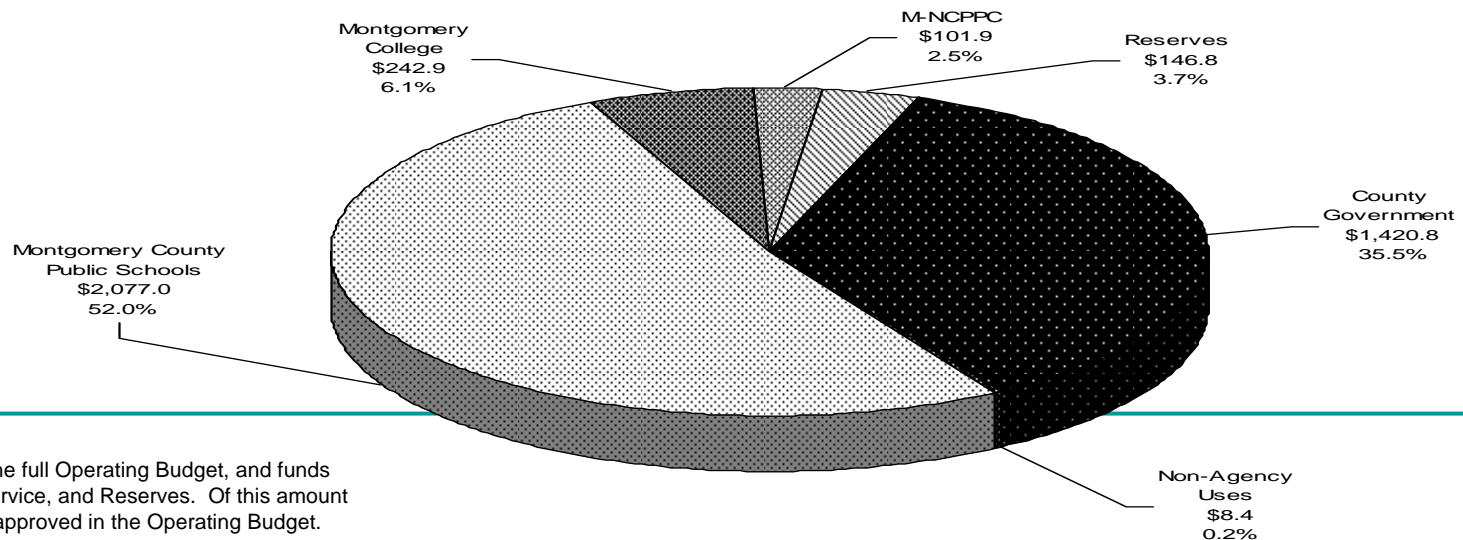
■ College:	+ .1%
■ MCPS:	+1.6%
■ Transit:	- 1.5%
■ Police:	+ .8%
■ Fire & Rescue:	- 1.3%
■ HHS:	- 3.4%
■ Housing & Com. Affairs:	-15.2%
■ General Services:	-11.1%
■ Recreation:	- 4.1%
■ Economic Dev:	- 4.7%
■ Libraries:	- 1.7%
■ Transportation:	+ 1.7%

# FY12 TAX SUPPORTED AGENCIES AND FUNDS

## WHERE THE MONEY COMES FROM TOTAL APPROVED RESOURCES - \$3,997.8(million)



## WHERE THE MONEY GOES \* TOTAL APPROVED USES OF FUNDS - \$3,997.8 (million)



\*This total covers the full Operating Budget, and funds to the CIP, Debt Service, and Reserves. Of this amount \$3,784,973,697 is approved in the Operating Budget.

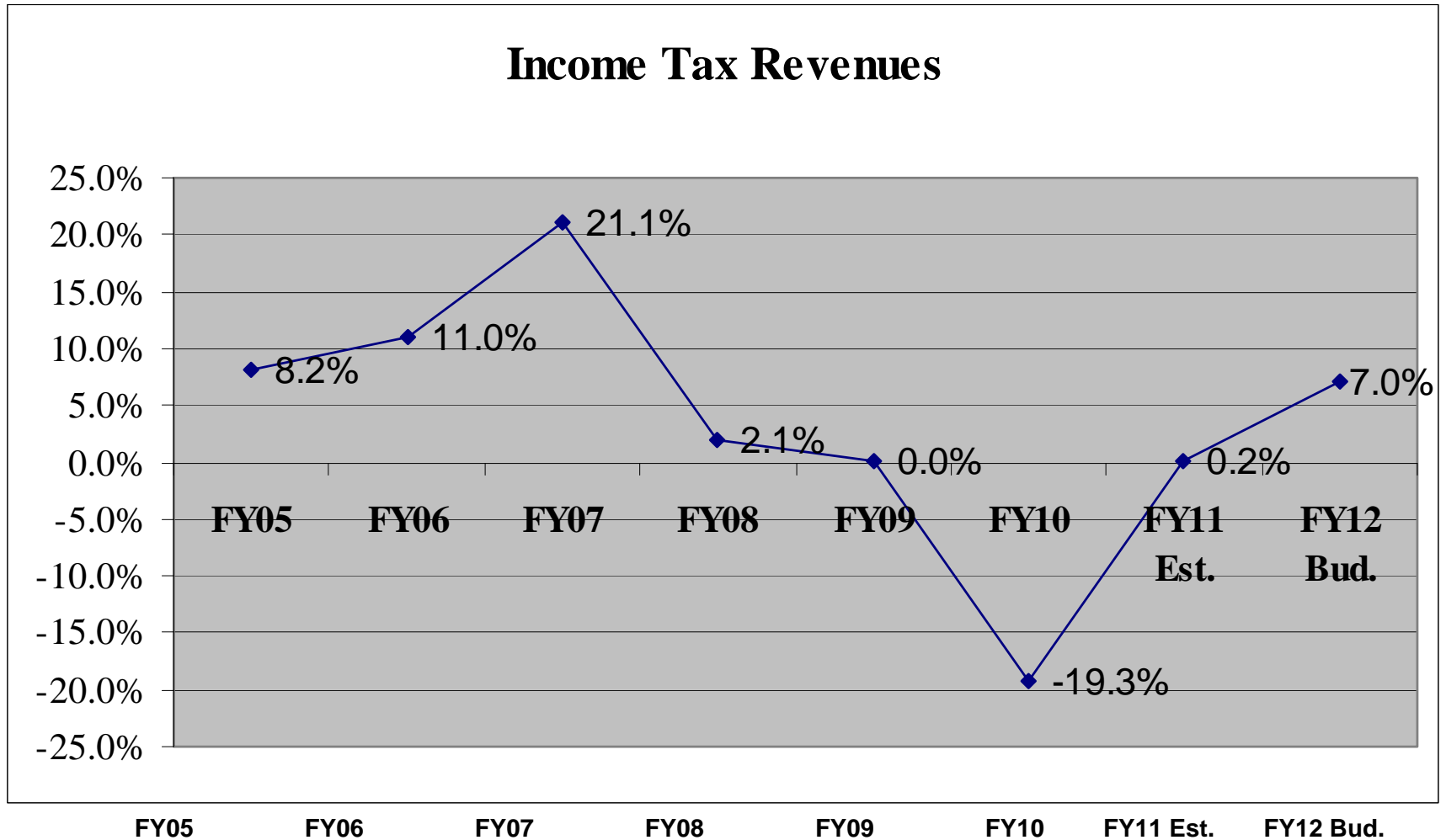
# HHS Programs

Health and Human Services	Budget	Staffing
<b>Spending</b>		
Aging and Disability Services	\$36,608,190	158.7
Behavioral Health and Crisis Services	\$37,214,130	194.5
Children, Youth, and Family Services	\$57,965,780	417.8
Public Health Services	\$68,434,120	540.3
Special Needs Housing	\$17,305,270	56.3
Administration and Support	\$24,546,790	118.1
<b>TOTAL BUDGET</b>	<b>\$242,074,280</b>	<b>1,485.7</b>
<b>Funding</b>		
Grant Funding (now includes Social Services Reimbursement)	\$70,325,300	441.9
Fees, Reimbursements, Formula funding, & Other Revenues	\$18,881,120	163.3
Local Funding	\$152,867,860	880.5

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# *Historical Trends*

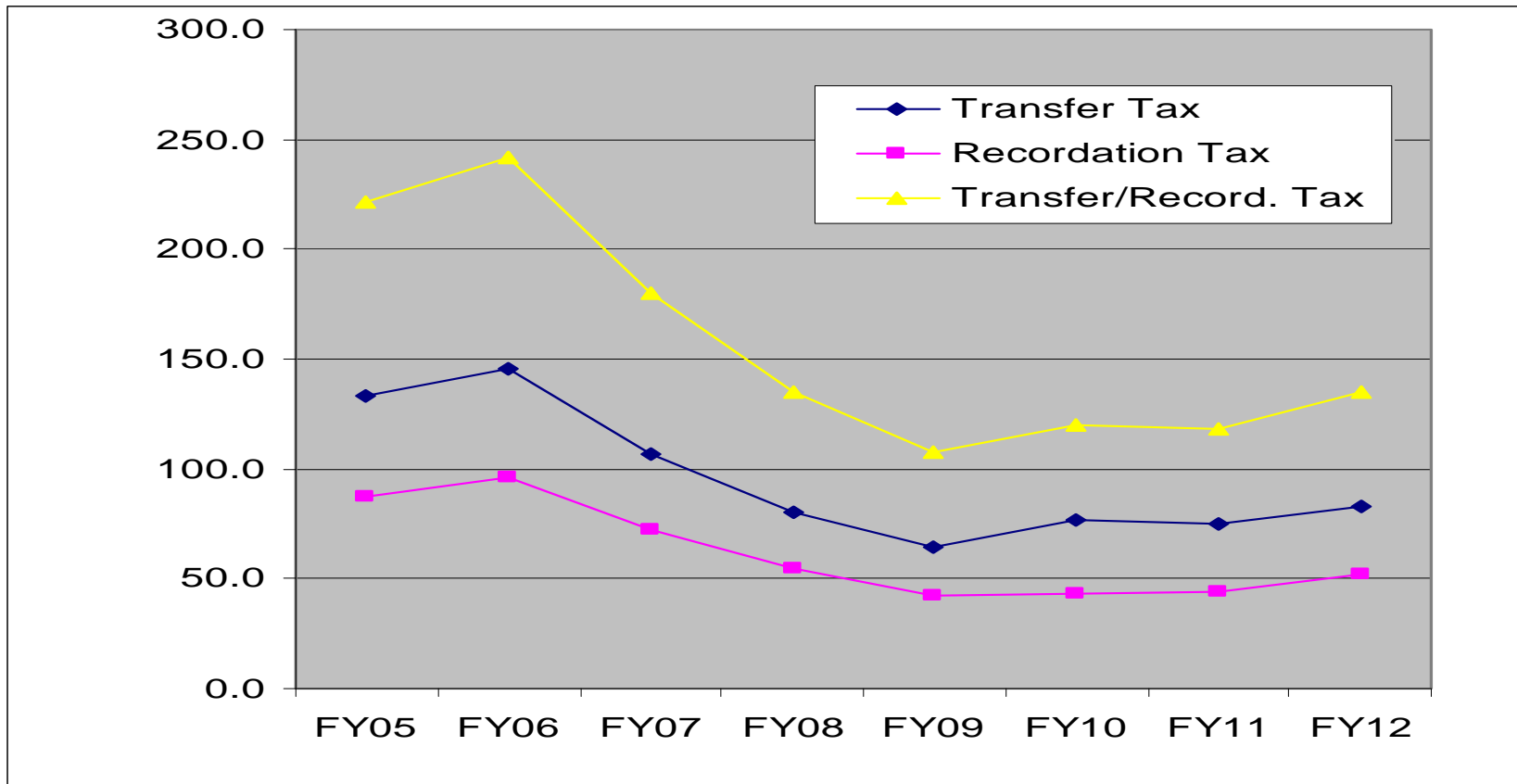
# Revenue Volatility: Income Taxes



940.859    1,044.562    1,265.377    1,291.340    1,291.717    1,042.099    1,043.683    1,117.243

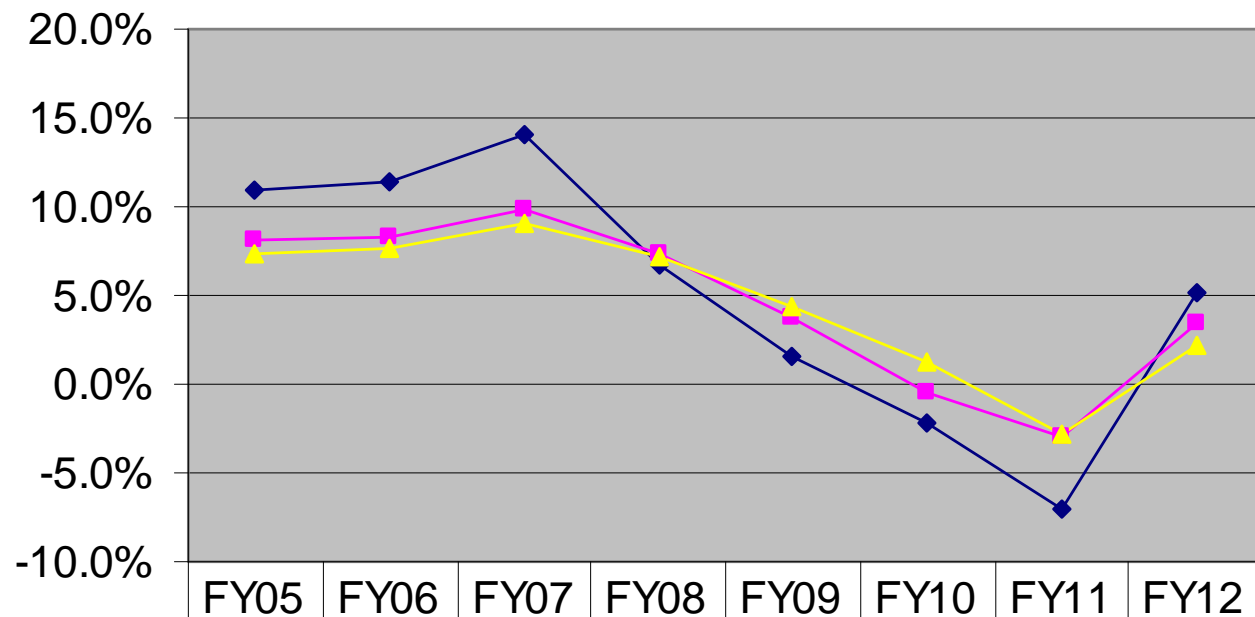


## Revenue Volatility: Transfer & Recordation Taxes



	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Transfer Tax	133.7	145.5	106.9	80.4	64.8	77.1	74.8	83.3
Recordation Tax	87.6	96.2	72.7	54.7	42.4	42.8	43.7	51.9
Transfer/Record. Tax	221.3	241.7	179.6	135.0	107.2	120.0	118.5	135.2

## Montgomery County Budget Growth Rates



◆ County Govt Tax Supported	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
	11.0%	11.4%	14.1%	6.7%	1.5%	-2.2%	-7.0%	5.1%
■ County Tax Supported	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
	8.1%	8.3%	9.8%	7.4%	3.7%	-0.5%	-3.0%	3.5%
▲ Total Budget	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
	7.4%	7.7%	9.0%	7.2%	4.3%	1.2%	-2.8%	2.2%

FYs 05-07 = 36.5%

FYs 08-12 = 4.1%

Note: 5.1% rate of growth due to \$58 million in new funding for retiree health insurance, snow removal, and State reimbursement for property tax assessment services. Without this new funding, the rate of growth would be 0.1%.

# *FY12-13 Outlook*

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# FY13 Major Fiscal Pressures

- Total Major Known Commitments: \$107.4 M.
- MKCs do not include wage increases; each 1% = \$24 million for all agencies
- Group Insurance, Pensions, and workers compensation: \$48 M.
- Operating Budget Impact of CIP: \$11 M.
- Pre-Funding Retiree Health Insurance: \$97 M.
- Federal, State and Local Mandates: HIPAA, Civic Access, FTC Red Flag Rules
- Continued build-up of reserves to policy level

# Pressures TBD

- Energy Tax sunset
- Sluggish economic recovery
- Outcome of Collective Bargaining: Wages, Benefits, and OPEB
- Federal Budget negotiations – “super-committee” reductions
- General Assembly:
  - Teacher Pensions – last year’s “One Maryland” proposal could have shifted \$94 million to Montgomery County
  - Other Local Aid Formulas

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# Fiscal Update: Strategies

- Expenditure Reduction Targets
  - ❑ Shared Resources/Collaboration
  - ❑ Service/Program Reductions
  - ❑ Productivity Improvements
  - ❑ Other efficiencies
  - ❑ Avoid one-time solutions

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# Opportunities for Public Input

- Website/eMail County Executive or County Council
  - [www.montgomerycountymd.gov](http://www.montgomerycountymd.gov) (contact us)
- Letters (September – January for County Executive's Budget)
- CIP: Citizen Advisory Boards input, held in odd numbered years (July-Aug)
- County Executive Budget Forums – January 2012  
(Dates and locations to be announced.) Times: 7 PM to 9 PM)
- County Council public hearings
  - Capital Budget – early February 2012
  - Operating Budget – early April 2012